



ITALY BEST PROSPECT INDUSTRY SECTOR PROFILE

Sector Name: **FRANCHISING**

ITA Industry Code: FRA

For the past 32 years, the franchising sector has been growing constantly in Italy, and forecasts for the next three years indicate that this positive trend will continue. Franchising plays a significant role in the Italian economy and is perceived as the most innovative way to introduce a new business concept in Italy. Cognizant of franchising's significant contribution to the economy, the Italian Government is in the process of passing the first law governing franchising activities. The law is expected to become effective in the next few months.

In 2002 there were 621 franchisors in Italy, with approximately 39,000 franchisees, employing 105,000 people. Revenues were 14 million euro. Despite a stagnating Italian economy, where consumption and employment have been essentially flat, franchising has been growing. In 2002 the number of franchisors was up 2.5 percent from the year before, the number of outlets was up 6.6 percent, revenues were up 5 percent and the number of people employed was up 5.8, a major contribution to offsetting unemployment in certain areas of the country. Over the past decade, the number of franchisors has doubled.

Franchising services in areas derived from the new economy are making a breakthrough, and activities linked to Internet, E-commerce, telecommunications and information technology are on the forefront of success. Almost half of Italian franchisors are service providers and, as Italy transitions gradually into a more service based economy, the demand will increase. Italy has gradually loosened the laws and restrictions that in the past discouraged the opening of new businesses. This process is now faster and less complicated than it was 5-10 years ago.

Advanced franchising concepts are influencing the still fragmented Italian retail distribution system, which is gradually being replaced with more modern distribution methods. Adaptability to the Italian business and cultural environment and flexibility in setting master license fees are key factors for the successful introduction of a foreign franchise.

In Italy 34 U.S. companies operate through a master franchisee, out of a total of 71 foreign franchisers present. France is second both in terms of franchisers and franchising units. The Italian business community views American franchise companies with a very open mind and recognizes their predominance.

Data Table:

(USD Millions)	2001 (actual)	2002 (actual)	2003 (estimated)
Total Market Size	11,942	13,267	16,035
Total Local Production	11,766	12,877	15,563
Total Exports	940	1,013	1,223
Total Imports	1,116	1,403	1,695
Imports from the U.S.	725	782	944
Exchange rate \$1 = euro	1.117	1.057	0.877

The above statistics are unofficial estimates.